

INSTRUCTIONS for FORM OE-1

U.S. RAILROAD RETIREMENT BOARD

Revised 1997

The following instructions are to assist system subordinate units in reporting creditable service and compensation and taxable earnings to the National Secretary-Treasurer or National Reporting Officer of your labor organization and in reporting and paying retirement taxes and unemployment contributions. The booklet contains Form OE-1 instructions and examples.

System subordinate units include:

**SYSTEM BOARDS
JOINT PROTECTIVE BOARDS
SYSTEM COUNCILS
DISTRICT LODGES
SYSTEM FEDERATIONS
DISTRICT COUNCILS
REGIONAL ASSOCIATIONS OF
GENERAL CHAIRMEN**

**GENERAL COMMITTEES OF ADJUSTMENT
FEDERATIONS OF GENERAL CHAIRMEN
GENERAL COMMITTEES
STATE LEGISLATIVE BOARDS
STATE LEGISLATIVE COMMITTEES
GENERAL GRIEVANCE COMMITTEES
GENERAL COMMITTEES OF ADJUSTMENT**

Form OE-1 is used to report creditable compensation for local units of national rail labor organizations covered under the provisions of the Railroad Retirement Act (RRA) and Railroad Unemployment Insurance Act (RUIA). The report should be sent to your National Secretary-Treasurer or National Reporting Officer within 15 days after the end of the period covered by the report. ***DO NOT SEND FORM OE-1 TO THE RAILROAD RETIREMENT BOARD (RRB) OR TO THE INTERNAL REVENUE SERVICE (IRS).***

WHERE TO GO FOR ADDITIONAL INFORMATION

- For additional forms or questions about these instructions, contact your national organization or call a Compensation Reporting Specialist at the Railroad Retirement Board's Quality Reporting Service Center at (312) 751-4992.
 - For questions about tax deposits, contact the CT-1 Specialist at the IRS at (913) 345-5623.
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Prepared by the Quality Reporting Service Center

A. INSTRUCTIONS FOR COMPLETING ITEMS 1-15

ITEM Enter the:

1. Name of your national organization
2. Page number and the total number of pages included in this report. Example: Page 1 of 2.
3. Name and/or number of your reporting unit.
4. RRB code assigned to your type of unit. To obtain your unit code, contact your national organization.
5. Appropriate month or quarter and year. Example: Nov 1996 or 2nd Q 1996.
6. Employee's last name followed by initials of first and middle names. Also, enter the employee's nine-digit social security number.
7. Employee's last daily pay rate for the report year exclusive of overtime and other allowances.
Instructions for converting pay rates to daily rates are in Part C of these instructions. Use the actual daily rate of pay if it is less than \$100. If the rate is equal or greater than \$99.99, report \$99.99. Do not report amounts in excess of \$99.99. The last daily pay rate need be reported **ONLY** for the last month the employee worked in the year. This information is used, in certain situations, to determine the RUIA benefit rate.
8. Number of work hours for which compensation is paid.
9. Gross earnings and Tier I Medicare earnings both consist of all taxable compensation. Include only amounts earned for service to your unit.
10. Tier I employee Medicare tax withheld from the employee's earnings. Instructions for calculating withholding amounts are in Part B of these instructions.
11. Tier I creditable retirement compensation.
12. Tier I employee taxes withheld from the employee's earnings.
13. Tier II creditable retirement compensation.
14. Tier II employee taxes withheld from the employee's earnings.
15. Creditable RUIA compensation. Instructions for determining creditable RUIA compensation are in Part F of these instructions.

Sign and date the form. The box entitled "Date Received by NRO" is for use by the national organization.

RAIL LABOR SYSTEM UNIT REPORT OF CREDITABLE SERVICE MONTHS AND COMPENSATION										
1. Name of National Organization WORKERS UNITED						2. Page <u>1</u> Of <u>1</u> Pages		See Instructions On Separate Page		
2. Payroll Report of Reporting Unit (Name and/or Number) LOCAL 100				4. RRB Unit No. 8999		5. For Month or Quarter Ending 3rd Q 1996				
COMPENSATION SHOULD NOT BE REPORTED IN EXCESS OF THE APPLICABLE YEARLY MAXIMUMS -						Tier I Annual Maximum \$ 62,700		Tier II Annual Maximum \$ 46,500		RUIA Max \$
6. EMPLOYEE IDENTIFICATION	Month of Qtr.	7. Daily Pay Rate	8. Work Hours	9. Gross Earnings and Tier I Medicare Earnings	10. Tier I Employee Medicare Tax Withheld	11. Tier I Earnings	12. Tier I Employee Tax Withheld	13. Tier II Earnings	14. Tier II Employee Tax Withheld	15. RUIA Compensation
Name ED ENGINEER	1		60	480.00	6.96	480.00	29.76	480.00	23.52	-0-
SSA Number 999-99-9999	2		64	512.00	7.42	512.00	31.74	512.00	25.09	340.00
	3		64	512.00	7.42	512.00	31.74	512.00	25.09	512.00
Name TIM TRAINMAN	1		30	150.00	2.18	150.00	9.30	150.00	7.35	-0-
SSA Number 888-88-8888	2		38	190.00	2.76	190.00	11.78	190.00	9.31	-0-
	3	40.00	2	10.00	.15	10.00	.62	10.00	.49	10.00
Name SAM SIGNALMAN	1		168	2520.00	36.54	2520.00	156.24	2520.00	123.48	840.00
SSA Number 777-77-7777	2		176	2640.00	38.28	2640.00	163.68	2640.00	129.36	840.00
	3		176	2640.00	38.28	2640.00	163.68	2640.00	129.36	840.00
Name CORA COMPUTERS	1		168	2016.00	29.23	2016.00	124.99	2016.00	98.78	840.00
SSA Number 666-66-6666	2		176	2112.00	30.62	2112.00	130.94	2112.00	103.49	840.00
	3		176	2112.00	30.62	2112.00	130.94	2112.00	103.49	840.00
Name DAN DISPATCHER	1		168	1680.00	24.36	1680.00	104.16	1680.00	82.32	840.00
SSA Number 555-55-5555	2		176	1760.00	25.52	1760.00	109.12	1760.00	86.24	840.00
	3		176	1760.00	25.52	1760.00	109.12	1760.00	86.24	840.00
Name CARL CARMAN	1		10	50.00	.73	50.00	3.10	50.00	2.45	-0-
SSA Number 444-44-4444	2		10	50.00	.73	50.00	3.10	50.00	2.45	-0-
	3		8	40.00	.58	40.00	2.48	40.00	1.96	-0-
Totals			1846	21,234.00	307.90	21,234.00	1316.49	21,234.00	1040.47	8422.00
CAUTION: Railroad retirement (CT-1) taxes must be deposited in a Federal depository as directed by the Internal Revenue Service. Please read Form CT-1 instructions for the proper depositing procedures. The frequency of your tax deposits is NOT determined by the completion of Form OE-1a. Deposits may be required more or less often.										
Name/Title PAM PAYROLL ACCOUNTANT		Address CHICAGO IL		Telephone Number (312) 555-5555		Date Completed 10/5/96		Date Received by NRO		

B. INSTRUCTIONS FOR CALCULATING WITHHOLDING AMOUNTS

In October of each year, the RRB sends to each National Reporting Officer or National Secretary-Treasurer, notices of the earnings maximum and the Tier I, Tier II, Medicare tax and RUIA contribution rates for the following year. The RRB determines and issues the supplemental tax rate quarterly in the month preceding the quarter.

Compensation should not be taxed or reported in excess of the annual compensation maximums. Before calculating withholding or completing this Form, enter the annual compensation maximums in the corresponding boxes above Items 11/12 and 13/14 and 15 for control purposes. Unless you are sure that no employee will reach the Tier II earnings maximum, it will be necessary to maintain cumulative earnings with each pay period. When an employee's earnings with your unit reach the Tier II maximum, Tier II tax is no longer assessed in that year. When an employee's earnings with your unit reach the Tier I maximum, Tier I tax is no longer assessed in that year. There is no compensation maximum for Medicare tax for tax years after 1993.

The employee pays three payroll taxes, Tier I, Tier II, and Medicare tax. Employees do not pay supplemental tax nor RUIA contributions. The employee and employer pay the same rate of tax for Tier I and Medicare taxes but the Tier II tax rates differ. To calculate withholding, multiply the taxable earnings by:

1. the employee Tier I tax rate to obtain the Tier I tax;
2. the employee Tier II tax rate to obtain the Tier II; and
3. the Medicare tax rate to obtain the Medicare tax.

Following is the calculation of Ed Engineer's October withholding from **Section A**.

MEDICARE TAX WITHHOLDING	TIER I TAX WITHHOLDING	TIER II TAX WITHHOLDING
\$ 480.00	\$ 480.00	\$ 480.00
<u>x .0145</u>	<u>x .062</u>	<u>x .049</u>
\$ 6.96	\$ 29.76	\$ 23.52

C. INSTRUCTIONS FOR CALCULATING THE DAILY PAY RATE

To determine the daily rate of an employee paid on an:

HOURLY BASIS - Multiply the hourly rate by 8;

MONTHLY BASIS - Divide the monthly rate by 21.75;

ANNUAL BASIS - If the annual rate is adjusted for months employed, divide the annual rate by the months employed. Otherwise, divide the annual salary rate by 12. Divide the quotient by 21.75.

D. INSTRUCTIONS FOR USE OF FORM OE-1 IN COMPLETING FORM CT-1

Form CT-1 is the IRS form used to report railroad retirement taxes. Form CT-1 is filed annually for taxes imposed on earnings paid in a calendar year. If all employees' cumulative earnings are under the Tier II maximum, the cumulative gross earnings will also be the cumulative Tier I earnings and cumulative Tier II earnings.

Enter the cumulative earnings totals and withholding totals in the appropriate spaces in the **TAX CALCULATION WORKSHEET** on the back of Form OE-1. The cumulative totals are the sums of the totals from all Forms OE-1 filed in the year. Enter the tax rates in Item A, B, C, and D on the worksheet and multiply by the earnings. The items from the **TAX CALCULATION WORKSHEET** are in the same order and directly correspond to items on Form CT-1. Transcribe the amounts from the worksheet to Form CT-1 using the "CT-1 references" column on the worksheet as a guide.

The supplemental tax rate is subject to change quarterly. **NOTE:** If the supplemental tax rate changes midyear, follow the IRS instructions for completing Form CT-1 to determine the supplemental tax liability, rather than using the worksheet. The worksheet assumes that one supplemental tax rate is applicable for the entire year.

The cumulative yearly totals in the following example are four times the quarterly totals from **Section A**.

FORM OE-1 TAX CALCULATION WORKSHEET

TAX CALCULATION		CT-1 REFERENCES
A. $\frac{\$7384}{\text{Column 8 Total}} \times \frac{\$.34}{\text{Supplemental Tax Rate}}$	\$ 2510.56	Supplemental Tax
B. $\frac{\$84,936.00}{\text{Column 11 Total}} \times \frac{.062}{\text{Tier I Retirement Tax}}$	\$ 5266.03	Tier I Employer Tax
C. $\frac{\$84,936.00}{\text{Column 9 Total}} \times \frac{.0145}{\text{Medicare Tax Rate}}$	\$ 1231.57	Tier I Employer Medicare Tax
D. $\frac{\$84,936.00}{\text{Column 13 Total}} \times \frac{.161}{\text{Employer Tier II Retirement Tax}}$	\$ 13,674.70	Tier II Employer Tax
E. Column 12 Total	\$ 5265.96	Tier I Employee Tax
F. Column 10 Total	\$ 1231.60	Tier I Employee Medicare Tax
G. Column 14 Total	\$ 4161.88	Tier II Employee Tax
H. Sum columns A through G. CT-1 Railroad Retirement Tax Liability for period. – 1996	\$ 33,342.30	
I. DC-1 RUIA Contribution Liability for Period 1996 $\frac{\$33,688.00}{\text{Column 15 Total}} \times \frac{.065}{\text{RUIA Contribution Rate}}$	\$ 218.97	

The amount in Item B should equal Item E and amounts in Item C should equal Item F. The items may differ a few cents due to rounding of partial cents.

E. INSTRUCTIONS FOR USE OF FORM OE-1 IN DETERMINING TAX LIABILITY

CT-1 taxes are paid monthly with two exceptions, 1) your tax liability is more than \$50,000, in which case taxes are paid more often than monthly, or 2) your tax liability is less than \$500, in which case taxes may be paid annually. Deposits are made with a Federal Reserve Bank using Form 8109, Federal Tax Deposit Coupon or electronically using RRBLINK. Contact the IRS for Form 8109 and deposit information. **DC-1** contributions are paid quarterly to your National Secretary-Treasurer or National Reporting Officer.

The frequency, monthly or quarterly, for filing Form OE-1 is determined by your national organization. If you file Form OE-1 monthly, the form can be used to calculate your monthly tax liability by completing Items A through H on the **TAX CALCULATION WORKSHEET**. It will be necessary, however, to sum the RUIA compensation for the three months in the quarter to calculate the quarterly DC-1 RUIA contribution amount. If you file OE-1 quarterly, the form can be used to calculate your DC-1 tax liability by completing Item I of the **TAX CALCULATION WORKSHEET**. The Form OE-1 will not, however have the monthly totals needed to determine monthly tax liability. If you develop the monthly earnings and withholding totals, you can enter the monthly totals in the **TAX CALCULATION WORKSHEET** to calculate the monthly tax liability.

If all employees' earnings are less than the Tier II maximum, another option for determining monthly tax liability is to multiply the monthly gross earnings by the combined tax rate and add the supplemental tax. The combined tax rate is the sum of the six tax rates; Employee and Employer Medicare rates, Tier I rates, and Tier II rates. For example, the sum of the six tax rates for 1996 is 36.6%. Multiply the January 1996 gross earnings by .366. Multiply the January man hours by .34 (Item A on the worksheet). Add the two products to obtain the January 1996 CT-1 tax liability.

The following example demonstrates the calculation of CT-1 tax liability for September 1996 and DC-1 contributions for the third quarter 1996 using data from **SECTION A**. The totals in Items A through G were developed from the figures shown for the third month of the third quarter. This example assumes that the supplemental tax rate of \$.34 is effective for the entire year.

FORM OE-1 TAX CALCULATION WORKSHEET

TAX CALCULATION		CT-1 REFERENCES
A. $\frac{602}{\text{Column 8 Total}} \times \frac{\$.34}{\text{Supplemental Tax Rate}}$	\$ 204.68	Supplemental Tax
B. $\frac{\$7074}{\text{Column 11 Total}} \times \frac{.062}{\text{Tier I Retirement Tax}}$	\$ 438.59	Tier I Employer Tax
C. $\frac{7074}{\text{Column 9 Total}} \times \frac{.0145}{\text{Medicare Tax Rate}}$	\$ 102.57	Tier I Employer Medicare Tax
D. $\frac{7074}{\text{Column 13 Total}} \times \frac{.161}{\text{Employer Tier II Retirement Tax}}$	\$ 1138.91	Tier II Employer Tax
E. Column 12 Total	\$ 438.58	Tier I Employee Tax
F. Column 10 Total	\$ 102.57	Tier I Employee Medicare Tax
G. Column 14 Total	\$ 346.63	Tier II Employee Tax
H. Sum columns A through G. CT-1 Railroad Retirement Tax Liability for period.	\$ 2772.53	Sept. 1996 CT-1 Liability
I. DC-1 RUIA Contribution Liability for period $\frac{8422}{\text{Column 15 Total}} \times \frac{.0065}{\text{RUIA Contribution Rate}}$	\$ 54.74	3rd Quarter 1996 DC-1 Liability

The amount in Item B should equal Item E and amounts in Item C should equal Item F. The items may differ a few cents due to rounding of partial cents.

F. INSTRUCTIONS FOR DETERMINING CREDITABLE RUIA COMPENSATION

If an employee worked only for the system unit in a month, earnings are creditable under the RUIA up to the monthly RUIA maximum. If an employee of a system unit also worked for a railroad carrier in the same month, the employee's combined earnings are creditable up to the RUIA monthly maximum. If the combined earnings exceed the RUIA monthly maximum, the creditable RUIA compensation may be prorated or allocated between the two employers. The method of proration is not set by the RRB but by agreement between the two employers. Any method which yields the correct total RUIA compensation is acceptable to the RRB. If RUIA compensation is apportioned between the system unit and the railroad carrier, the system unit must retain, for the full payroll records retention period, the records of earnings paid by the carrier provided by the employee for determining the apportionment.

One common method of apportioning RUIA compensation between two employers is for the system unit to report RUIA compensation only in the amount not reported by the primary employer. For example, the 1996 RUIA monthly maximum is \$865. If both the system unit and the primary employer pay \$500 in earnings for the month of January 1996, the primary employer reports RUIA compensation of \$500 for January 1996 and the system unit reports \$365. The sum of RUIA compensation reported by the two employers is \$865 the maximum for the month.

Another method of apportioning RUIA compensation is for each employer to report RUIA compensation in a ratio equal to the ratio of the gross earnings paid by the two employers. 1) Determine the total earnings for the month and the total creditable RUIA compensation based on the total earnings. 2) Determine the ratio of the system unit earnings to the total earnings. 3) Multiply the creditable RUIA compensation by the system unit ratio. This will yield the system unit share of RUIA compensation under this method.

The following example is based on Ed Engineer from **SECTION A**.

	Local 100 earnings	RR carrier earnings	RUIA compensation Method 1	RUIA compensation Method 2
July	480.00	1500.00	0.00	207.60 *
Aug.	512.00	500.00	340.00	441.15 **
Sept.	512.00	0.00	512.00	512.00

* 1) $480.00 + 1500.00 = 1980.00$; 2) $480.00 \div 1980.00 = .24$; 3) $.24 \times \$865.00 = \207.60

** 1) $512.00 + 500.00 = 1012.00$; 2) $512.00 \div 1012.00 = .51$; 3) $.51 \times \$865.00 = \441.15

A Second example is based on Tim Trainman from **SECTION A**

	Local 100 earnings	RR carrier earnings	RUIA compensation Method 1	RUIA compensation Method 2
July	150.00	2000.00	0.00	60.55 *
Aug.	190.00	2000.00	0.00	75.26 **
Sept.	10.00	300.00	10.00	9.92 ***

* 1) $150.00 + 2000.00 = 2150.00$; 2) $150.00 \div 2150.00 = .070$; 3) $.070 \times \$865.00 = \60.55

** 1) $190.00 + 2000.00 = 2190.00$; 2) $190.00 \div 2190.00 = .087$; 3) $.087 \times \$865.00 = \75.26

*** 1) $10.00 + 300.00 = 310.00$; 2) $10.00 \div 310.00 = .032$; 3) $.032 \times \$310.00 = \9.92